

SECTION 80 ITEM: 10/2017

REVIEW OF RENTAL TARIFFS: BUSSINESS AND INDUSTRIAL HIVES AND HAWKER STALLS

LOCAL ECONOMIC DEVELOPMENT, TOURISM & RURAL DEVELOPMENT

PURPOSE

The purpose of the report is to recommend revised rental tariffs for Business and Industrial Hives and Hawker stalls throughout Merafong City.

BACKGROUND

The provision of Business and Industrial hives as well as trading stalls for informal traders is informed by the Merafong Growth and Development Strategy to create an enabling environment for SMME'S to facilitate economic development, job creation and poverty alleviation.

Over the years, the municipality has developed a number of such facilities, rented out to SMME'S at affordable rates. Different tariff structures have been approved for different facilities, based on the status of each facility and a need has been identified to review the current tariffs in accordance with the provisions of section 74 of the Municipal Systems, Act 32 of 2000.

DISCUSSION

The municipality currently administer the following business and industrial hives with different tariff structures as indicated below:

| Facility | Number of units | Rental tariff per unit |
|-------------------------------------|-----------------|---------------------------------------|
| Concor Hostel | 12 | R 50/month |
| Khutsong South Industrial Hive | 22 | R 500/month |
| Kokosi Bee-hive | 22 | R60/month |
| Carletonville Informal Trading Area | 54 | R200/month |
| Greenspark Industrial hive | 6 | R100/month |
| Khutsong Business Centre | 55 | R30/m ² (R300 – R500 p.m.) |

Rental tariffs must be determined for the facility rental in accordance with the provisions of Section 74 of the Municipal Systems Act, Act 32 of 2000 that reads as follows:

- “(1) a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of the act.*
- (2) The tariff policy must reflect at least the following principles:*
 - (a) users of municipal services should be treated equitable in the application of tariffs*
 - (b) the amount individual users pay for services should generally be in proportion to their use of that service*

- (d) *tariffs must reflect the cost reasonably associated with rendering this service including capital, operating, maintenance, administration and replacement cost and interest charges.*
- (e) *tariffs must be set at levels that facilitate the financial sustainability of the service taking into account subsidization from sources other than from the service concerned.*
- (g) *provision may be made for the promotion of local economic development through special tariffs for commercial and industrial users."*

In determining a rental tariff for the above facilities, it must be taken into account that no maintenance costs are included in the tariff structure seeing that maintenance of all council facilities are being provided for by the Infrastructure Department - Public Works.

The administrative costs can be absorbed at this stage by the LED Section who will be responsible for the management of the lease agreements. The Revenue Section will be responsible to levy and collect rental and services charges. There are no capital costs or interest charges that must be absorbed due to the fact that the projects were funded by grant funding.

In terms of Section 40(c)(1) of the Municipal Supply Chain Management Regulations immovable property must be let at market related rates. (2) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.

In terms of the provisions of Section 74(2)(g) *"provision may be made for the promotion of local economic development through special tariffs for commercial and industrial users."*

The facilities are provided to create an enabling business environment for the emerging SMMEs and therefore a special tariff is proposed.

As can be seen from the current tariffs, there is a considerable difference in the rates pertaining to the respective hives. This is mainly due to the fact that the facilities itself differs considerably. The old hostel facilities renovated in the different areas for business/industrial hives provides very basic infrastructure and is not at the same level as the newly constructed hives in Khutsong South, Greenspark and the Carletonville CBD. The SMMEs have however indicated that regardless of the condition of the buildings, the rental tariffs have a direct bearing on the financial viability of their businesses. In this regard they have requested that the rates for the new facilities be reviewed to facilitate local economic development and that a special tariff be considered. The current tariffs were determined based on values obtained from council valuers and local estate agents.

In view of the submissions received as well as the poor payment history of tenants in all hives, it is suggested that the tariffs be adjusted to be more equitable in monetary value, taking into account the type of facility. It is suggested that the tariffs be adjusted as follows:

| Facility | Current rental tariff per unit | Proposed rental tariff per unit |
|-------------------------------------|---------------------------------------|--|
| Concor Hostel | R 50/month | R100/month |
| Kokosi Bee-hive | R60/month | R100/month |
| Greenspark Industrial hive | R100/month | R250/month |
| Khutsong South Industrial Hive | R 500/month | R250/month |
| Carletonville Informal Trading Area | R200/month | R250/month |
| Khutsong Business Centre | R30/m ² (R300 – R500 p.m.) | Workshops – R250/month Shops/offices – R15/m ² |

The tenants are responsible for the payment of services charges pertaining to water and electricity. Prepaid electricity and water meters should be installed at all facilities.

It is confirmed that the following allocation criteria as previously adopted by council is applied in the allocation of units:

- SA citizen
- Preference will be given to SMME's who were previously conducting business in this building
- Resident of Merafong, with valid proof of residence
- Registered business
- Valid Tax clearance certificate
- Should have a good credit record

Hawker permits for demarcated areas

The section has also implemented a permit system for the hawkers which were free of charge. It is however suggested that an annual application fee be determined, as Council became aware that the Merafong Hawkers Association allegedly illegally charge an application fee payable to them. The levying of a formal promulgated tariff will mitigate the risk of illegal tariffs being levied by individuals for their own benefit. It is suggested that the following tariff be determined:

Permanent stalls: R200/year
Demarcated stands: R100/year

ORGANISATIONAL PERSONNEL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

The payment of the suggested rates will have a positive impact on council's revenue.

COMMUNICATIONS IMPLICATIONS

The draft tariffs to be published for public comment as part of council's tariff policy and budget process.

CONSTITUTIONAL AND LEGAL IMPLICATIONS

The tariffs are determined in terms of the provisions of the Municipal Systems Act and Municipal Finance Management Act.

OTHER DEPARTMENTS / BODIES CONSULTED

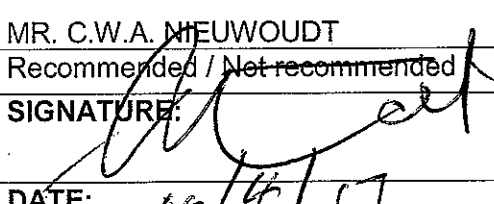

COMMENTS: Manager. Budget & Treasury

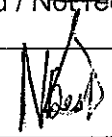
The recommendations are supported.

RECOMMENDATIONS

1. That the following proposed new tariffs for the business/industrial hives and hawker stalls be included in the tariff policy of Council for the 2017/2018 financial year.

| Facility | Current rental tariff per unit | Proposed rental tariff per unit |
|-------------------------------------|---------------------------------------|--|
| Concor Hostel | R 50/month | R100/month |
| Kokosi Bee-hive | R60/month | R100/month |
| Greenspark Industrial hive | R100/month | R250/month |
| Khutsong South Industrial Hive | R 500/month | R250/month |
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| ED: URBAN DEVELOPMENT & PLANNING | ACTING MUNICIPAL MANAGER |
| MR. C.W.A. NIEUWOUDT | MR. L.R. THIBINI |
| Recommended / Not recommended | Approved / Not approved |
| SIGNATURE:  | SIGNATURE:  |
| DATE: 4/4/17 | DATE 07/04/17 |

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| PORTFOLIO HEAD: LED, TOURISM & RURAL DEVELOPMENT |
| CLLR. N.BEST |
| Recommended / Not recommended |
| SIGNATURE:  |
| DATE 20/04/2017 |

MERAFONG CITY LOCAL MUNICIPALITY

EXECUTION NOTICE

Subsequent to the Section 80 Committee:
LED, Tourism and Rural Development meeting

held on

26 April 2017

The following item was approved by the Executive Mayor on 19 May 2017

| <u>FOR FINALISATION</u> | <u>FOR INFORMATION</u> | | | | | | | | | | | | | | | | | | |
|--|--------------------------------|--|---------------------------------|---------------|------------|------------|-----------------|-----------|------------|--------------------------------|------------|------------|-------------------------------------|------------|------------|--------------------------|---------------------------|--|--|
| LED & Tourism | | | | | | | | | | | | | | | | | | | |
| <u>ITEM 10/2017</u> | | | | | | | | | | | | | | | | | | | |
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| <u>RECOMMENDATIONS</u> | | | | | | | | | | | | | | | | | | | |
| <p>i) That the following proposed new tariffs for the business/ industrial hives and hawker stalls be included in the tariff policy of Council for the 2017/2018 financial year.</p> | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>Facility</th> <th>Current rental tariff per unit</th> <th>Proposed rental tariff per unit</th> </tr> </thead> <tbody> <tr> <td>Concor Hostel</td> <td>R 50/month</td> <td>R100/month</td> </tr> <tr> <td>Kokosi Bee-Hive</td> <td>R60/month</td> <td>R100/month</td> </tr> <tr> <td>Khutsong South Industrial Hive</td> <td>R500/month</td> <td>R250/month</td> </tr> <tr> <td>Carletonville Informal Trading Area</td> <td>R200/month</td> <td>R250/month</td> </tr> <tr> <td>Khutsong Business Centre</td> <td>R30/m2 (R300-R500p.m.)</td> <td>Workshops- R250/month Shops/offices-R15/m2</td> </tr> </tbody> </table> | Facility | Current rental tariff per unit | Proposed rental tariff per unit | Concor Hostel | R 50/month | R100/month | Kokosi Bee-Hive | R60/month | R100/month | Khutsong South Industrial Hive | R500/month | R250/month | Carletonville Informal Trading Area | R200/month | R250/month | Khutsong Business Centre | R30/m2 (R300-R500p.m.) | Workshops- R250/month Shops/offices-R15/m2 | |
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REMARKS

- (i) The Manager: Budget and Treasury office has been informed about the new tariffs to be included in the Council Tariff Policy.


 C.W.A. NIEUWOUDT
EXECUTIVE DIRECTOR: URBAN
PLANNING & DEVELOPMENT

DATE: 23 May 2017